1971
Shell Oil Company Annual Report

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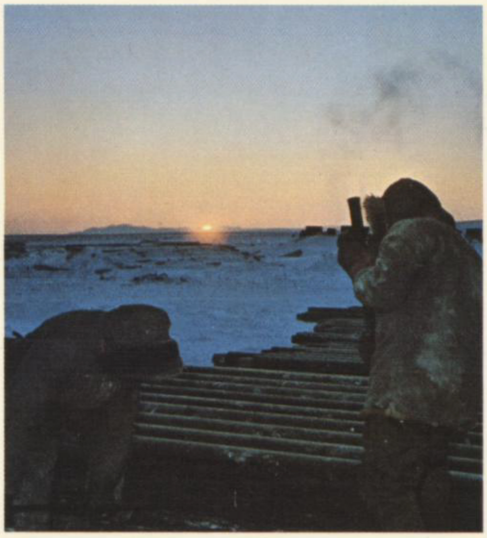
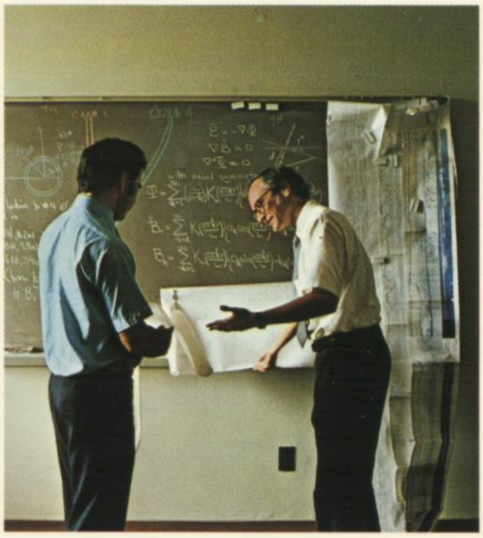
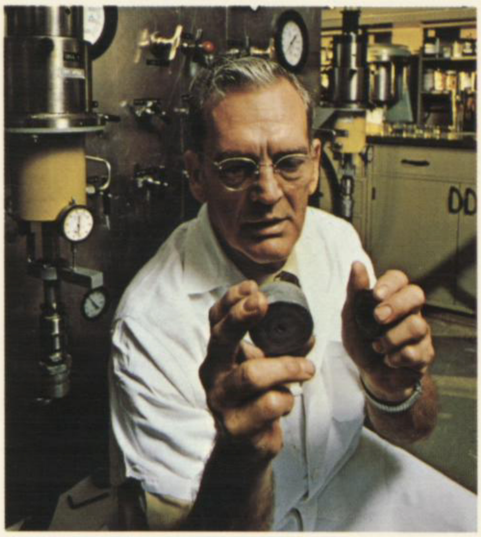

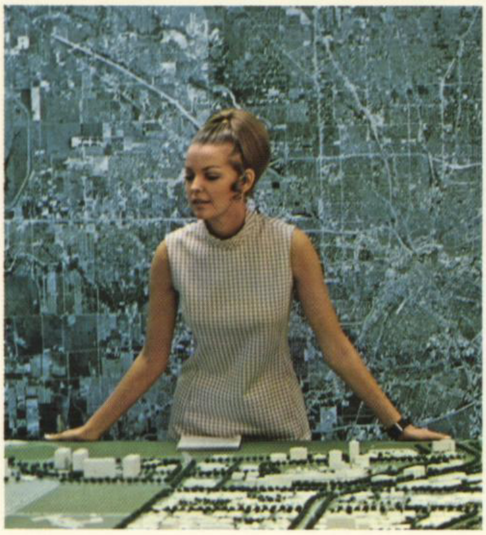
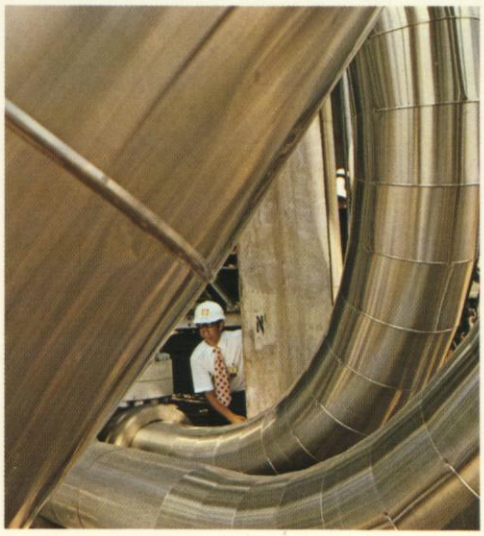

Shell Oil Company Annual Report

Year Ended December 31, 1971

Cover: These photographs of Shell people at work illustrate the wide variety of skills and tasks involved in the search for oil and gas, and in the manufacture and marketing of quality petroleum and chemical products.

Left: A dock adjacent to the Martinez Refinery is a favorite spot for fishermen and provides an illustration of the compatibility of our refineries with the marine environment.

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Executive Offices:

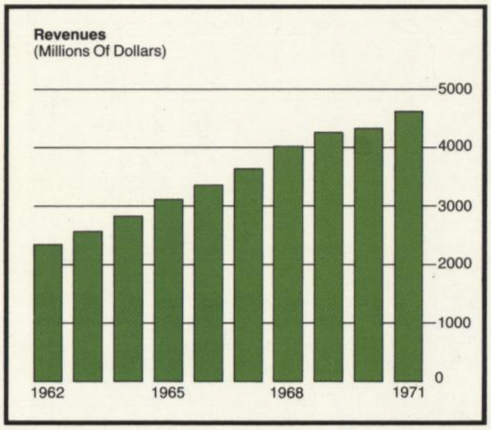
Shell Oil Company
Shell Chemical Company
Shell Development Company
One Shell Plaza, P. O. Box 2463
Houston, Texas 77001

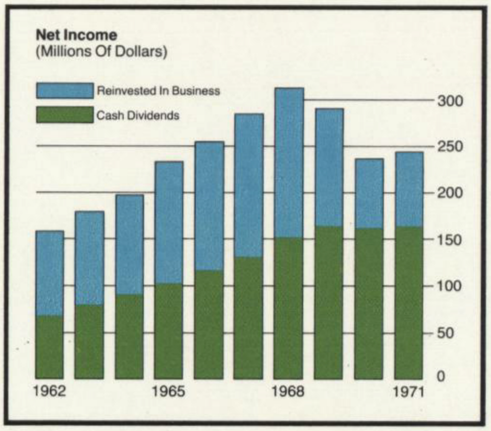
The Annual Meeting of shareholders will be held at The Rice Hotel (Crystal Room), Main at Texas, Houston, Texas, at 11 A.M. Thursday, April 27, 1972. A formal notice of the meeting, together with a proxy statement and form of proxy, will be mailed to shareholders on or about March 15, 1972.

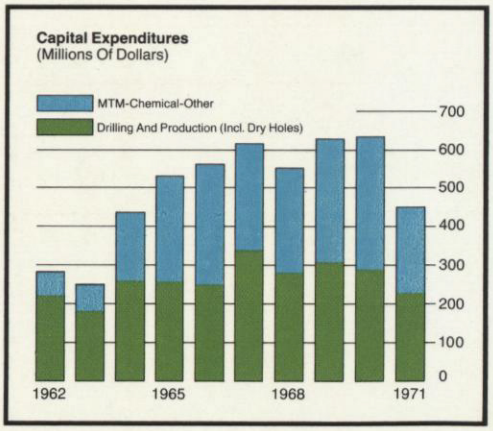
Highlights Of The Year

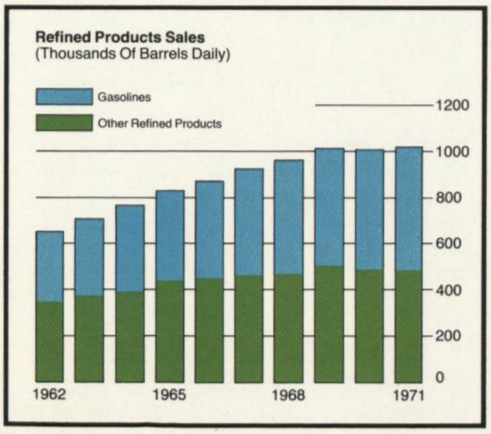
Financial	1971	1970
Revenues	$4,623,775,000	$4,330,747,000
Net Income	$ 244,504,000	$ 237,205,000
Per Share	$3.63	$3.52
Cash Dividends	$ 161,738,000	$ 161,719,000
Per Share	$2.40	$2.40
Shareholders' Investment	$2,826,003,000	$2,742,975,000
Per Share	$41.93	$40.71
Capital Expenditures	$ 450,510,000	$ 634,825,000
Total Assets	$4,646,282,000	$4,608,801,000

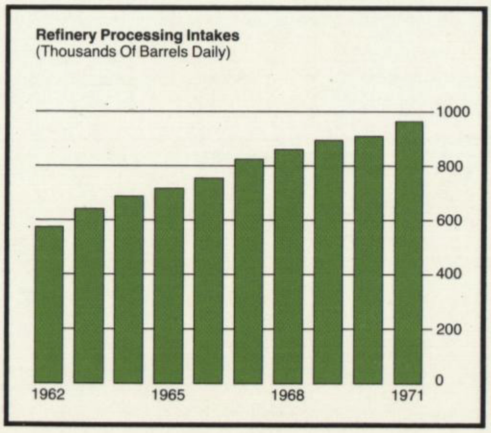
Operating	1971	1970
Refined Products Sold (Barrels Daily)	1,020,000	1,005,000
Refinery Processing Intakes (Barrels Daily)	966,000	912,000
Net Crude Oil and Natural Gas Liquids Produced (Barrels Daily)	629,000	595,000
Net Natural Gas Produced (Thousand Cubic Feet Daily)	2,542,000	2,548,000
Chemical Revenues	$560,263,000	$526,418,000

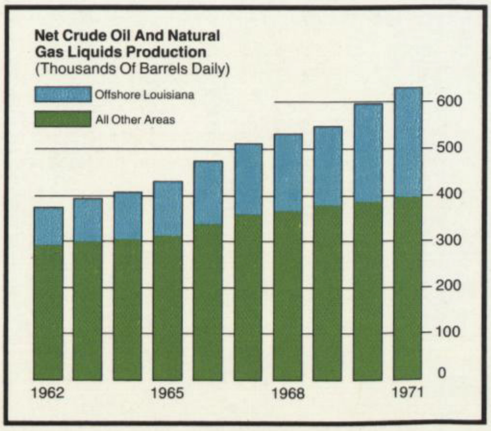

Revenues
(Millions Of Dollars)


Net Income
(Millions Of Dollars)


Capital Expenditures
(Millions Of Dollars)


Refined Products Sales
(Thousands Of Barrels Daily)

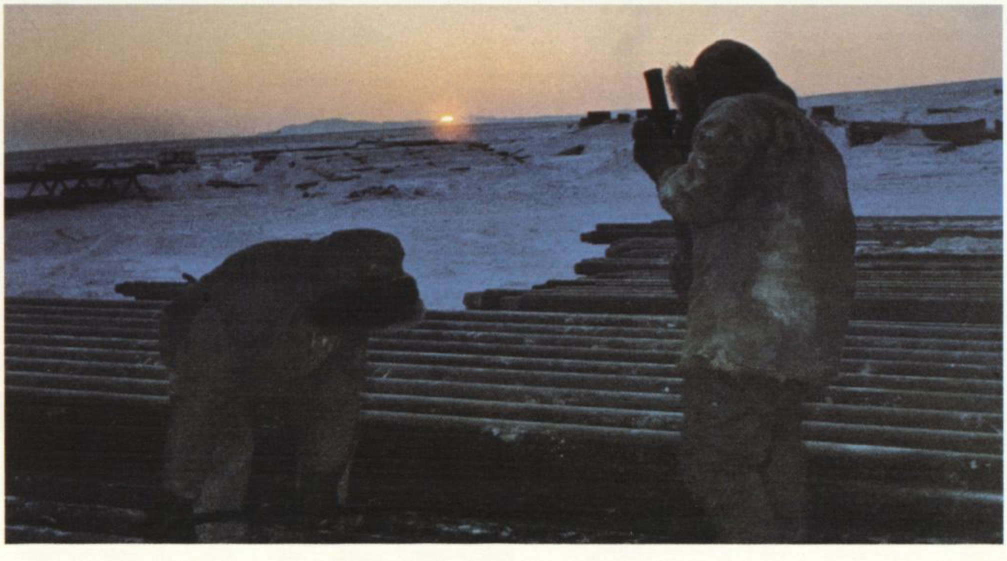

Refinery Processing Intakes
(Thousands Of Barrels Daily)

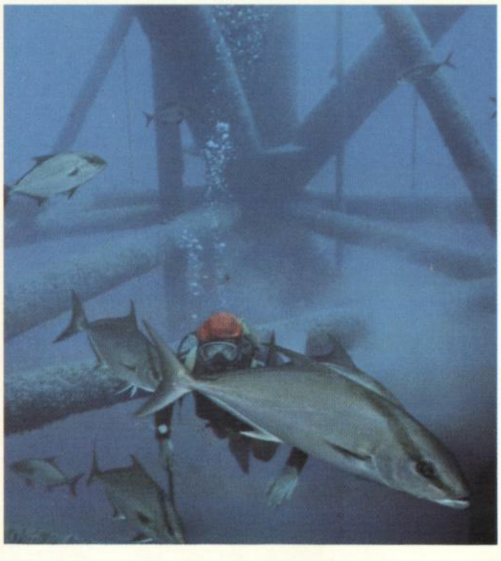

Net Crude Oil And Natural Gas Liquids Production
(Thousands Of Barrels Daily)

Top: A number of Shell stations, including this one in Carmel, California, have won awards in recent years for their outstanding architectural and landscaping features.

Bottom left: We are pushing the search for new reserves of oil and gas into Canada's Northwest Territories in a joint venture with Shell Canada Limited.

Bottom right: Amberjack frolic as a scuba diver inspects pilings on one of our offshore production platforms in the Gulf of Mexico. This species of sport fish, usually found near natural reefs out in the Gulf and Caribbean, has become plentiful around our production facilities in offshore Louisiana waters.





Letter To The Shareholders

February 25, 1972

1971, although not without its difficulties and setbacks, was a year of generally improving performance. With the exception of reserves of crude oil and natural gas, which we comment on later, virtually all aspects of operations and the key figures in the financial results moved in the right direction. Net income, sales volumes and revenues, production of liquid hydrocarbons, refinery intakes—all showed a modest but healthy upward trend.

It was gratifying to see the decline in earnings, which began in the fourth quarter of 1968, reversed in the middle of last year. We are hopeful that a resumption of long-range profitable growth has begun but the rate may be slow because of rising labor and material costs, higher taxes and problems related to environmental conservation.

Last year's gains came partly because of better overall economic conditions, favorable Federal Power Commission decisions affecting natural gas prices and resumption of investment tax credit. Of great significance for the long-term future of the Company was the fact that the improvement was also the result of our sustained and continued efforts to reduce costs and improve efficiency.

During the year the following developments of particular significance, both for the near term and the long term, took place:

- Further strengthening of the Company's outstanding retail position through marketing innovations and the introduction of new service station facilities.
- Improvement of results of chemical operations.
- Extension of the search for new petroleum reserves to areas outside North America and encouraging results of domestic explorations off Louisiana and in Michigan and Utah.
- The move of corporate headquarters from New York to Houston.
- Completion of plans for a major reorganization of research and development and for centering these activities in Houston.

These developments and the year's operations are reported in detail on the following pages. It seems appropriate, however, to call attention to the continuing nature of our efforts to reduce the impact of inflation on our business by the simplification of our organization and facilities. As a consequence of this long-range program, while the Company's operations and revenues have grown by about 10 percent since 1968, the number of employees has declined by about the same percentage. This month we announced plans to consolidate our data processing work, except for the Credit Card Center at Tulsa, and we will continue to examine further steps to simplify our organization and cut costs. We recognize that in some individual instances these various consolidations have meant regrettable hardships, and we have instituted comprehensive programs to minimize their impact.

Much of the profit improvement in the latter half of the year was the result of higher prices for automotive gasoline, which, after being severely depressed, were restored in July to more satisfactory levels. The way in which price levels of gasoline—and many other refined products—have held since mid-1971 has been gratifying and gives us encouragement to hope that changes are occurring in the gasoline market which may result in more stable conditions.

The chemical segment of our business showed improvement. Construction delays and unusually large costs and expenses incurred in connection with the new Houston olefins plant are now behind us. Shell Chemical's performance was also aided by the pickup in the whole economy, which was stimulated by the President's economic policies. We have also announced plans to withdraw from the styrene-butadiene rubber business, which has become unattractive to the Company. These factors and the prospect of further general economic recovery give grounds for optimism regarding Shell Chemical's future.

Two adverse developments deserve mention. The first was the enactment of legislation in Delaware which prevented us from going ahead with plans to build a refinery on a site we have owned for several years in that state. The second was the action of the federal courts in granting an injunction to halt the scheduled sale of leases on tracts off Louisiana.

The importance of an early resumption of offshore lease sales is underlined not only by the negative trend in the Company's reserves of crude oil and natural gas, but by the energy problem of the nation as a whole. As things stand, oil companies are handicapped in their ability to make responsible, long-range plans to meet increasing energy demands. The requirements of environmental

Harry Bridges, President and Chief Executive Officer, and Sir David Barran, Chairman of the Board, confer in Head Office, One Shell Plaza, Houston.

conservation and the pressing need to increase domestic oil and gas production must be reconciled, as we believe they can be.

With regard to the national energy situation, your Company has prominently supported industry efforts to alert public and government opinion to the issues at stake and has reinforced this with public and private representations on its own account. The indications are, however, that the full dimensions of the future energy supply position are not yet understood. During the year ahead corporate efforts will be redoubled to achieve wider appreciation of what needs to be done on a national basis.

Capital expenditures declined substantially in 1971 from their levels of the past several years. This was mainly because of completion of major refinery and chemical construction programs but also in part because of the postponement of December, 1971, offshore lease sales. We hope that lease sales will take place on a more frequent schedule in the future, and this, together with the additional funds which we foresee will be required for environmental conservation measures, could well mean a return of capital expenditures to higher levels.

At the time this report was being printed, the Company was preparing for a public financing involving the issuance of $200 million in debentures, at a rate of interest determined by conditions prevailing at the time of marketing the issue. The net proceeds from this financing will be used for general corporate purposes, including capital expenditures.

The success of all our operations primarily depends on the experience, dedication and creative effort of our employees. We take this opportunity to express our appreciation to them. We also wish to thank our shareholders, dealers and customers, whose support is vital to our continuing progress.

Chairman of the Board

President

Top: Among the more recent innovations in our gasoline marketing are tunnel car-wash units with gasoline dispensing facilities. This unit was opened last year in San Diego, California.

Bottom left: A woman driver refueling her own car is becoming a commonplace sight at a Shell experimental self-service station, a type of facility which appears to be rapidly gaining in popularity with a large segment of the motoring public.

Bottom right: A specially trained operator at the Credit Card Center uses electronic data recovery equipment to obtain information about an account in seconds. This is part of Shell's new nationwide toll-free telephone service for credit card customers.

Consolidation For Future Growth

For Shell Oil Company, 1971 was a year of consolidation during which the Company prepared itself, through programs providing for increased efficiency and productivity, to meet immediate and long-term challenges.

The immediate challenge was to maintain our marketing strength in the face of depressed economic conditions and aggressive competition that continued to erode prices of automotive gasoline, our highest volume product, in a number of major markets. Markets showed greater stability after restorative moves took place at midyear.

Long-term, the challenge was to marshal all available resources to cope with the market opportunities anticipated during the 1970's.

There was achievement in meeting both of these challenges.

The Company ended the year with an increasingly productive organization which had demonstrated its capacity to maintain Shell's position as a leading producer of crude oil and natural gas and manufacturer and marketer of petroleum and chemical products in the U.S. The changing dimensions of the U.S. energy demand became increasingly clear during the year and the Company took significant steps to cope with the energy situation and to stimulate a public awareness of the problem.

Houston officially became Shell's headquarters city during the year. The consolidation of operating and corporate managements in Houston and the announcement that all research would be centralized in the metropolitan Houston area were indicative of the beginning of a new era in Company affairs.

Equally symbolic, perhaps, was the announcement of an oil exploration joint venture in Latin America, the first exploration activity for Shell Oil Company beyond the North American continent.

It is noteworthy that Shell Chemical Company, heavily burdened in 1970 by construction and start-up expenses of the new olefins plant, saw improvement in its overall operating performance—despite generally depressed economic conditions that prevailed through most of the year. Shell Chemical also moved out of unprofitable product lines and entered more promising product areas.

Thus, solid groundwork was established for profitable growth.

"Service Is Our Business"

Shell has traditionally been sensitive to marketing opportunities, including responsiveness to customer interest in new products and services. Several developments during 1971 reflected this approach to marketing:

- The establishment of 45 self-service stations where customers, by refueling their own cars, are able to make their purchases at more economical prices.
- The introduction of automatic car-wash facilities at many stations.
- The inauguration of a nationwide free telephone number—(800) 331-3703—for use by customers who have questions related to their credit cards.
- The marketing of a new line of top quality motor oils.

Services

The new self-service stations are intended to meet the demands of customers who are willing to provide their own service to achieve savings. This concept has proved popular with motorists in other countries and is gaining acceptance here.

Car washes have proved to be an effective means of building sales. Shell has two types of stations with car washes. At conventional stations the installation in one service bay of "in-bay" car-wash equipment enhances their appeal to customers. A station with a separate "tunnel" car-wash building is an entirely new kind of gasoline retailing outlet. Our tests have demonstrated that these stations generate large volumes of gasoline sales and are profitable. At the end of the year Shell had 58 "in-bay" and 55 "tunnel" car-wash stations in operation or under construction.

The free telephone service to our Credit Card Center, at Tulsa, Oklahoma, which handles all of Shell's credit card billing, began in the middle of the year. Customers who have used the service say they are highly pleased with Shell's approach to the handling of problems that can arise with large-scale computerized billing procedures. Nearly two-fifths of the product sales at Shell service stations are made with credit cards. In October we began a complete reissue of a redesigned credit card. The new issue is an effective way of enabling the Tulsa Center to service desirable, active accounts. To conduct its activities more efficiently the Credit Card Center is scheduled to move into new, larger quarters by mid-1972.

The SHELLSHAPE* program covering the installation of special diagnostic and repair facilities at selected service stations was expanded gradually during the year.

Products

The two new top quality motor oils introduced during the year are SHELL SUPER X** 20W-50, particularly advantageous in hot weather, and SHELL SUPER X 10W-40, formulated primarily for cold climates but actually suitable for year-round use. Both oils surpass the stringent requirements prescribed by automobile manufacturers for a superior engine lubricant.

In the fall of 1970, Shell was the first oil company to offer nonleaded gasoline nationwide. As expected, sales of SHELL OF THE FUTURE® were relatively modest during the first full year of its availability. For the long-term, however, the addition of this gasoline to the choice of fuels at Shell service stations provides a degree of marketing flexibility that is expected to be essential but also rewarding as the proportion of new cars with emission control devices increases.

The sales volume of refined products was slightly higher than in 1970. Revenues from sales of refined products amounted to $2,199 million, up 6 percent from the 1970 total.

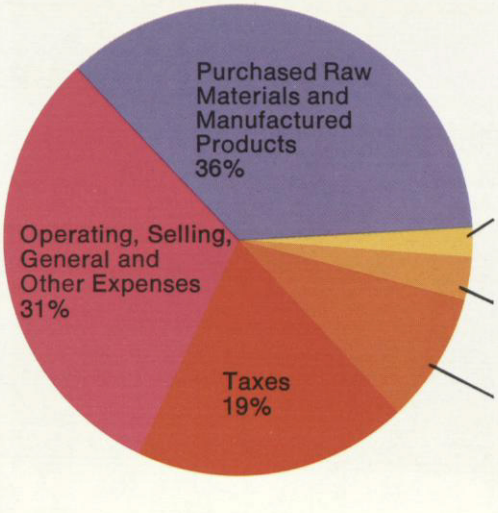
The sales volume of Shell automotive gasolines was about 2 percent higher than in 1970, while the total consumption in the country rose about 3 percent, so that Shell's share of the domestic gasoline market declined to an estimated 8.3 percent from 8.4 percent. This was in part due to Shell's move at midyear to restore the price received per gallon to acceptable levels. As a result the volume of sales at Shell service stations in direct marketing territory was off, but the drop in volume was more than offset by the gain in revenues.

Shell continued to be the country's leading supplier of fuels used in commercial air transport. The volume of jet fuel sales was approximately 5 percent higher than in 1970. Sales were lower than expected, however, because of the reduction in air travel. The sales volume of liquefied petroleum gas was 22 percent higher than in 1970.

Stations

A major marketing program during 1971 was the "facelifting" of about 600 older service stations at minimal costs through the use of cost-saving building materials and techniques. The changes give the stations an up-to-date architectural appearance which increases their attractiveness and demonstrably aids in maintaining volume and earnings.

A distinguishing feature of our marketing activities for many years has been the emphasis on the development of a network of exceptionally strong and economically sound service stations. This has resulted in the elimination of several thousand less efficient stations and the upgrading of others to the point where, as noted in last year's report, the gasoline sales volume of an average Shell station in



Disposition Of Shell's 1971 Gross Revenues
of $4.6 Billion

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*Shell Service Mark

**Shell Trademark

Top: Among the new products we introduced last year were two premium quality motor oils designed to provide motorists with still better lubricating performance under all driving conditions, including extremes of heat and cold.

Below: These before-and-after photographs illustrate the results of a "facelifting" program in which hundreds of older service stations are being given a more modern and attractive architectural appearance using cost-saving materials and building methods.

direct marketing territory continues to be substantially higher than that of the average station of other major oil companies.

While introducing new services and products and upgrading stations, the Marketing Organization continued to place emphasis on improving the effectiveness of sales and staff employees so that further sizable personnel reductions were made.

More Capacity To Make Better Products

A $500-million program to expand and modernize our refineries which was begun in the early 1960's was completed last year. This program was designed not only to increase the daily throughput of crude oil but to obtain a larger proportion of higher-valued products. Its objective was to ensure that we would continue to meet the growing demand for Shell products, particularly automotive gasoline and aviation turbine fuel.

All scheduled expansions of the Houston Refinery were concluded during the year. The last of the new Wood River Refinery facilities and the new vacuum flasher and coker at the Wilmington Refinery in southern California came fully on stream.

The new crude processing and conversion facilities encompassed in the program increased the daily crude intake capacity at the Houston, Martinez, Norco, Wilmington and Wood River refineries by 320,000 barrels. As units of these new facilities have been placed in operation over the last few years our output of higher-valued products has increased by more than 50 percent. In addition, the new units enhanced our ability to make nonleaded gasoline and incorporated substantial measures to protect air and water from pollution.

The action of the Delaware legislature in forbidding the construction of oil refineries and certain other heavy industrial plants in the coastal areas of the state was a great disappointment. It forced us to forego plans to build a refinery on a site acquired about 10 years ago. We are convinced our refinery would have been environmentally compatible and economically beneficial to the state.

We are conducting studies of alternative sites for a refinery on the East Coast, where we think it is essential there be more refineries. At present, this region consumes about two-fifths of all the petroleum used in this country but has only one-eighth of the nation's refining capacity. As the United States inevitably relies on more and more foreign oil, only an East Coast site will provide maximum logistical benefits related to imports of crude oil and nearness of major markets, thereby decreasing ultimately the costs to consumers.

The Manufacturing Organization put new stress last year on achieving economies through better manpower utilization and improved methods of performing routine tasks. As a result the size of the work force continued to decline. Refinery maintenance costs, particularly those related to periodic shutdowns, were pared substantially without any reduction in needed maintenance. Research and development activities for manufacturing were correlated more closely with needs. Analyses of costs indicate these steps contributed materially to Shell's ability to compete in the face of generally depressed economic conditions.

Rated Crude Distilling Capacity

Refinery	Barrels Daily 1971
Anacortes	88,000
Ciniza	16,600
Houston	255,000
Martinez	100,000
Norco	240,000
Odessa	29,000
Wilmington	86,000
Wood River	245,000
	1,059,600

Transportation From Field To Consumer

Efficiency in transporting huge quantities of crude oil and petroleum products over long distances is a significant factor in final operating results. There is a continuing program to increase efficiency in this area. As a result, the pipelines wholly or partly owned by Shell now handle some 60-million barrel-miles more volume a year than 10 years ago with 20 percent less manpower. Organization changes were made during the year which will further enhance the efficiency of these operations.

The growing demand for petroleum requires more and more pipeline capacity. During 1971 work continued on the 1,300-mile Explorer Pipe Line, designed to carry products from the Gulf Coast area to Chicago. The line, in which Shell has a 26-percent shareholder interest, became operative as far as Dallas last year and is scheduled to be fully operative during the first half of 1972. The Plantation Pipe Line, 24-percent-owned by Shell, was expanded substantially during the year. It now can carry 550,000 barrels of products a day. Shell uses this line primarily to move products from Louisiana to the southeastern part of the country and as far north as Washington, D.C. An extension of the wholly owned North Line, which runs from Wood River to the Chicago area, was also completed during the year. The extension, from the Argo Terminal, southwest of Chicago, to the Des Plaines Terminal, which serves O'Hare International Airport, will facilitate the delivery of turbine fuel and other products to the airport.

Planned projects for increasing the capacity of our crude oil pipeline system were carried forward in California, New Mexico, west Texas and offshore Louisiana.

A more effective skimmer being tested at the Shell Pipe Line Research and Development Laboratory is one of the devices resulting from our continuing work related to preventing oil spills and minimizing their effects.

The Transportation Organization continued to direct special attention to the prevention of oil spills and to minimizing the effects of those which do occur by improving procedures, techniques and conservation facilities.

Seeking New Sources Of Supply

The energy situation in the U.S. is an issue which is receiving increasing public attention. The situation is serious and appears likely to get worse as the domestic capability of providing energy threatens to fall behind the rate at which demand is predicted to increase.

The trend for energy requirements to grow at a faster rate than the gross national product is expected to continue. The generally accepted forecast is that the energy needs of the U.S. will double by 1985. While other fuels will also increase their quantitative contribution to the total energy supply, oil and gas, as they do today, will still have to provide by far the largest part of the supply in this period. Yet, domestic petroleum production seems to be at or close to its peak. Thus, this country must assure itself of new sources of supply from outside as well as from within, or must face the possibility of a seriously reduced standard of living.

Our response to this challenge has been to widen the horizons of our exploratory activity beyond the United States—initially to Canada, and more recently to South America—where the potentials for discovering new petroleum reserves appear to be generally better than within the country except for certain domestic offshore areas. We are continuing to look for other opportunities in Latin America and West Africa to broaden the Company's reserve base.

Total expenditures on exploration outside the U.S. were approximately $50 million last year. Most of the money was spent in connection with the joint venture in Canada. Essentially, all was charged against current income.

Our Venture In Canada

This major operation outside the United States, initially undertaken in 1970, continued under the joint-venture agreement between Shell Explorer, a Shell Oil wholly owned subsidiary, and Shell Canada Limited covering joint exploration and development of about 72 million acres in onshore and offshore areas of Canada.

In the offshore areas of Nova Scotia, where the joint venture's holdings cover 34 million acres, an aggressive exploratory program of geophysical work and drilling has been conducted for more than a year, including the drilling of 24 wildcat wells by the end of 1971. Several tests encountered shows of gas and oil but no commercial discoveries have been made. An encouraging development in the area last year was the announcement by Mobil Oil Corporation of a wildcat discovery of oil and gas on Sable Island, which is surrounded by the joint venture's holdings, with the nearest acreage about 8 miles from the Sable Island well.

The joint holdings of 4.8 million acres in the St. Lawrence Lowlands and the Gaspé Peninsula are being evaluated by geophysical work. A drilling program was started last November and is expected to continue throughout this year.

A program of seismic work and drilling is also in progress in the Northwest Territories, where joint holdings total 7 million acres. We have been encouraged by three indicated discoveries by another oil company in this area, including one 5 miles from our acreage.

Map of South America in the background and the one of Canada's Northwest Territories being studied by G. A. Burton, Vice President for International Ventures, and F. B. Conger, Manager of Venture Development, reflect the expansion of our areas of interest in the search for new oil reserves.

Properties, Plant and Equipment

(Thousands of Dollars)

	1971 Capital Expenditures		Investment December 31, 1971			Investment December 31, 1970	
	Amount	%	Cost	Net	%	Net	%
Production Properties	$228,640	50	$2,977,063	$1,351,551	41	$1,413,366	43
Oil Refineries	38,923	9	1,188,391	625,627	19	619,622	19
Chemical Plants	38,616	9	740,688	402,276	12	398,575	12
Marketing Facilities	99,681	22	879,554	639,442	20	584,318	18
Pipelines and Other Transportation Facilities	17,726	4	373,257	181,949	6	180,910	6
Miscellaneous	26,924	6	116,291	71,369	2	59,904	2
Total	$450,510	100	$6,275,244	$3,272,214	100	$3,256,695	100

Close-up view shows the intensity of the Bay Marchand fire. Our control efforts were keyed to keeping effects on the environment to a minimum.

Large-scale skimming operation recovers oil reaching the water during the Bay Marchand fire.

On behalf of the joint venture and in furtherance of our efforts to find new sources of energy, we have started a research project to advance the development of economically viable schemes to recover crude oil from the Athabasca tar sands and the Peace River heavy oil accumulations in Alberta.

Latin American Venture
We entered into our first exploratory venture outside the North American continent last year. In March Shell and Continental Oil Company entered into an arrangement with Ecopetrol, the national oil company of Colombia, to explore three contract areas totaling 1.3 million acres in the plains in the eastern part of the country. Shell, through a subsidiary, has a 25-percent interest in this venture. A seismic and drilling program is under way. The first well drilled was abandoned prior to reaching its objective because of mechanical problems and a second well was started last year.

New Lease Opportunities
Prospects for increasing domestic reserves were enhanced, in our opinion, by the U.S. government's decision to hold offshore lease sales twice a year in the future.

Two federal offshore lease sales are scheduled during 1972. The first, in May, will cover tracts off southwestern Louisiana and the second, in November, will involve acreage off southeastern Texas. Shell expects to nominate blocks for inclusion in the bidding at both sales.

Some uncertainty and instability in the timing of such sales exists, even after being formally scheduled by the government, because of the possibility of last-minute legal attacks by environmentalist groups, as occurred in connection with the offshore Louisiana lease sale originally scheduled for December 21. Nevertheless, we expect the government to pursue successfully its decision to hold offshore lease sales twice each year.

Domestic Offshore Programs
The land beneath coastal waters of the Gulf of Mexico off Louisiana and Texas continues to be Shell's major domestic exploration and production area. Approximately 45 percent of our total crude oil and condensate and 35 percent of our natural gas were produced in this area last year, and nearly 40 percent of the capital expenditures for drilling and development were made in this offshore environment.

Last year 19 exploratory wells were drilled on 7 of the 9 tracts off Louisiana acquired at the December, 1970, federal lease sale. Thus far reserves of oil and gas in commercial quantities have been found on 3 of the tracts. To proceed with the development of these tracts, 4 drilling platforms have been ordered. Three of them were under construction at year end. Overshadowing normal operations in the Gulf during December, 1970, and the early part of 1971 was the 137-day battle to extinguish the fire in the Bay Marchand Block 2 field. In association with government officials and ecological experts, we undertook an intensive control program to hold the impact of the fire on the environment to a minimum. By deliberately letting the fire burn, almost all of the oil flow was consumed and did not reach the water. We successfully employed a costly relief-well kill operation to remotely control the wild wells and an elaborate, multifaceted program to cope with the small amount of oil that escaped. Virtually all state and federal government officials and other observers who were in a position to evaluate the problem and our response to it have attested to the success of the program.

The program to put the field back in production is well under way. Two new platforms were placed in position before the end of the year. It appears that most of the original wells can be salvaged. Oil production is expected to be resumed about the middle of this year.

Domestic Onshore Programs
The Uinta Basin of Utah, where Shell discovered oil in 1970, is currently the site of an active program of exploratory and

development drilling, both for our own account and as joint venturer. At the end of the year, 13 Shell-interest wells had been completed and 5 rigs were drilling. Production has been established at a number of locations along a geological trend about 20 miles long, and further drilling and testing is proceeding to determine the full importance of this discovery. Additional acreage has been obtained and Shell now has leases on more than 230,000 acres in the Northern Uinta Basin.

An aggressive exploratory and development drilling program is also under way in northern Michigan. In this area we have had an exceptionally high wildcat drilling success ratio since 1969—13 discoveries out of 22 attempts. Four wildcats drilled in 1971 indicated discoveries, one gas and three oil. While the individual accumulations found so far appear to be small, they are profitable.

In central Mississippi significant reserves of natural gas containing hydrogen sulfide have been established in the past two years at depths of 19,000 to 21,000 feet. We are now constructing the largest plant of its type in the U.S. to recover the sulfur from this gas. We have acquired some additional leases in this area and exploration and development efforts are continuing.

Supplementary recovery methods have assumed increasing importance in the face of the impending energy deficiency. Fluid injection (water flood) techniques currently appear to be the most practical under most circumstances. We have also been active in thermal (steam) recovery projects, especially in California. About 20 percent of our current crude oil production can be attributed to secondary recovery techniques. An estimated 31 percent of the total crude oil reserve would not be recoverable if these techniques were not available.

Production And Reserves

Gross liquid hydrocarbon production in 1971 amounted to 731,000 barrels daily, 6 percent above the 1970 rate. Gross natural gas production amounted to 3,020 million cubic feet daily, about the same as in 1970.

At the end of 1971, net proved reserves were estimated as follows: 2.2 billion barrels of liquid hydrocarbons, compared with 2.3 billion barrels a year earlier, and 8.0 trillion cubic feet of gas, compared with 8.4 trillion cubic feet a year earlier.

According to our estimates, 81 percent of the liquid hydrocarbon reserves and 85 percent of the natural gas reserves were recoverable through wells already drilled.

Source and Disposition of Refined Products

(Thousands of Barrels Daily)

Source	1971	1970
Net Crude Oil Produced	550	527
Net Natural Gas Liquids Produced	79	68
Crude Oil Purchased	1,007	936
Less: Crude Oil Sold	(646)	(614)
Crude Oil Inventory Change	(1)	—
Refined Product and Process Stocks Purchased	150	169
	1,139	1,086
Disposition		
Refined Products Sold	1,020	1,005
Used in Chemical Manufactures	61	49
Product Inventory Change	14	(9)
Net Of Use As Fuel, Own Consumption, Losses, Etc.	44	41
	1,139	1,086

Chemicals: Moves Toward Greater Profitability

The business of Shell Chemical, as a supplier of basic chemical products, is tied closely to the state of the economy. Last year's sluggish conditions had their predictable adverse effect, but Shell Chemical's operating results were somewhat better than in 1970. A significant part of the raw materials and services for chemical operations is obtained from oil and gas operations.

Chemical revenues totaled $560 million, compared with $526 million in 1970, an improvement of 6 percent.

Olefins Production

The Houston olefins plant is one of the largest producers in the world of such light olefins as ethylene and propylene, which are "building block" chemicals used principally by the chemical industry to manufacture hundreds of intermediate and end products. It was originally designed to produce approximately one billion pounds of ethylene per year. This capacity was increased by about 20 percent during 1971 by taking advantage of certain expansion opportunities inherent in the basic design. Capacity of a smaller olefins plant at Norco, Louisiana, was also increased during the year. We believe that olefins production will be an increasingly significant factor in our chemical business.

New Cost Controls

Throughout the year we also continued our intensive efforts to improve the profitability of the chemical business. Costs underwent further rigorous review and new controls and approaches were implemented. In one action, for example, the field sales forces of the Industrial Chemicals and Petrochemicals divisions were consolidated into a single sales organiza-

To meet the growing demand for KRATON® Thermoplastic Rubber, this manufacturing facility was completed last year at the Marietta, Ohio, Chemical Plant.

Top: The Agricultural Division of Shell Chemical Company last year moved into this attractive new headquarters building near San Ramon, California.

Below: Various kinds of plastic materials made from products of Shell Chemical's Polymers Division are tested for a wide range of fabrication and performance characteristics at the Plastics and Resins Technical Center.

tion. This has already produced new efficiencies and given each division's product lines broader exposure to new markets and new customers.

Withdrawing From SBR Business

In November 1971, we announced our decision to withdraw from the styrene-butadiene rubber business and to close the Torrance, California, plant built during World War II. A severe oversupply of SBR, current and projected depressed market prices and rising costs are the basic reasons for closing the plant and withdrawing from the SBR business. We expect the Torrance plant to be closed by late 1972.

New Chemical Products For Shell

On the other hand, we began production last year of two chemicals which we had not previously manufactured. A plant was completed and put in operation at Houston to make vinyl chloride monomer. This is an intermediate chemical used by other manufacturers to produce polyvinylchloride, a plastic material with an extremely broad range of uses—automobile roofs, shower curtains, women's shoes, and building materials, among others. The plant, designed to produce over 700-million pounds of the monomer annually, is one of the largest facilities of its type in the world. Also completed at Houston was an orthoxylene plant with a design capacity of 200-million pounds a year. Orthoxylene, also a chemical intermediate, is a basic raw material in the production of paints, varnishes and certain plastic materials.

Products With Growing Markets

Customer acceptance of KRATON® Thermoplastic Rubbers continued to accelerate. This new class of materials, proprietary with Shell, combines the elasticity of rubber with the ease of fabrication of plastic materials. KRATON's versatility has led to its use in many different grades and applications. Applications which have taken the largest volume to date have been in the field of leisure footwear. The growing variety of other end products ranges from syringe bulbs and other disposable devices used in hospitals to housewares and construction adhesives. KRATON will now be produced in a large new plant in Marietta, Ohio, completed last year. It was formerly produced only at our Torrance plant.

Marietta was also the site of a large-scale expansion of facilities for the production of polystyrene, another widely used plastic with many end applications in the fields of automobiles, appliances and housewares.

An interesting subsidiary venture, the manufacture of plastic bottles, developed encouragingly last year. A wholly owned fabricating company is currently supplying customers in the Middle Atlantic and New England states. Demand has expanded to the point where several small satellite plants have been constructed.

Chemicals For Farm And Home

Sales of chemical fertilizers were appreciably higher than in 1970. This was due primarily to favorable weather conditions and larger acreage plantings in certain

Western states where we have a strong market position. Depressed prices are still a basic problem in fertilizer marketing even though some firming of prices occurred during the year.

Sales of economic crop protection chemicals were up significantly over the 1970 level. BLADEX* Herbicide, a new product for use in growing corn, was sold on an experimental basis last year and performed well under a variety of conditions against a broad spectrum of weeds. Necessary regulatory approval has been received and introduction on a full commercial scale is expected this year.

NO-PEST® Insecticide Strips, one of the safest and most effective ways to control flying insects in the home, continue to sell well as consumer acceptance remained high.

Sales of animal health products continued to grow last year, led by EQUIGARD® and ATGARD®, deworming medicines for horses and swine. A new formulation of ATGARD permitted our first entry into the sizable animal feed additive market.

With its expanded and more efficient plant facilities, and realigned sales forces, we believe Shell Chemical is in a sound position to benefit when basic industrial demand turns upward in the U.S.

Reorganization And New Directions For Research

Following a two-year study, a plan for the reorganization and consolidation of research, technical computing development, and patent and licensing activities was announced last October. Under this plan, all of these activities will be brought together in Houston except for research in the biological sciences carried out at Modesto, California. The consolidated activities will be organized as four federated research functions: Exploration and Production; Manufacturing, Transportation and Supplies, and Marketing; Chemical; and Corporate.

The major benefits foreseen under this plan are: 1) More continuous interaction and improved communications between related research and business functions providing increased responsiveness to business needs and research-developed opportunities; 2) More effective contact among research groups with common interests; and 3) The most economical allocation of skills and resources. In short, we will be able to perform the required functions more effectively with increased efficiency and for less money.

New laboratories will be constructed on the outskirts of Houston. They are expected to be completed during 1975. In the meantime groups from the Emeryville Research Center in California are scheduled to move into existing laboratories in Houston by the middle of this year. Groups from the other facilities will move when the new center is ready.

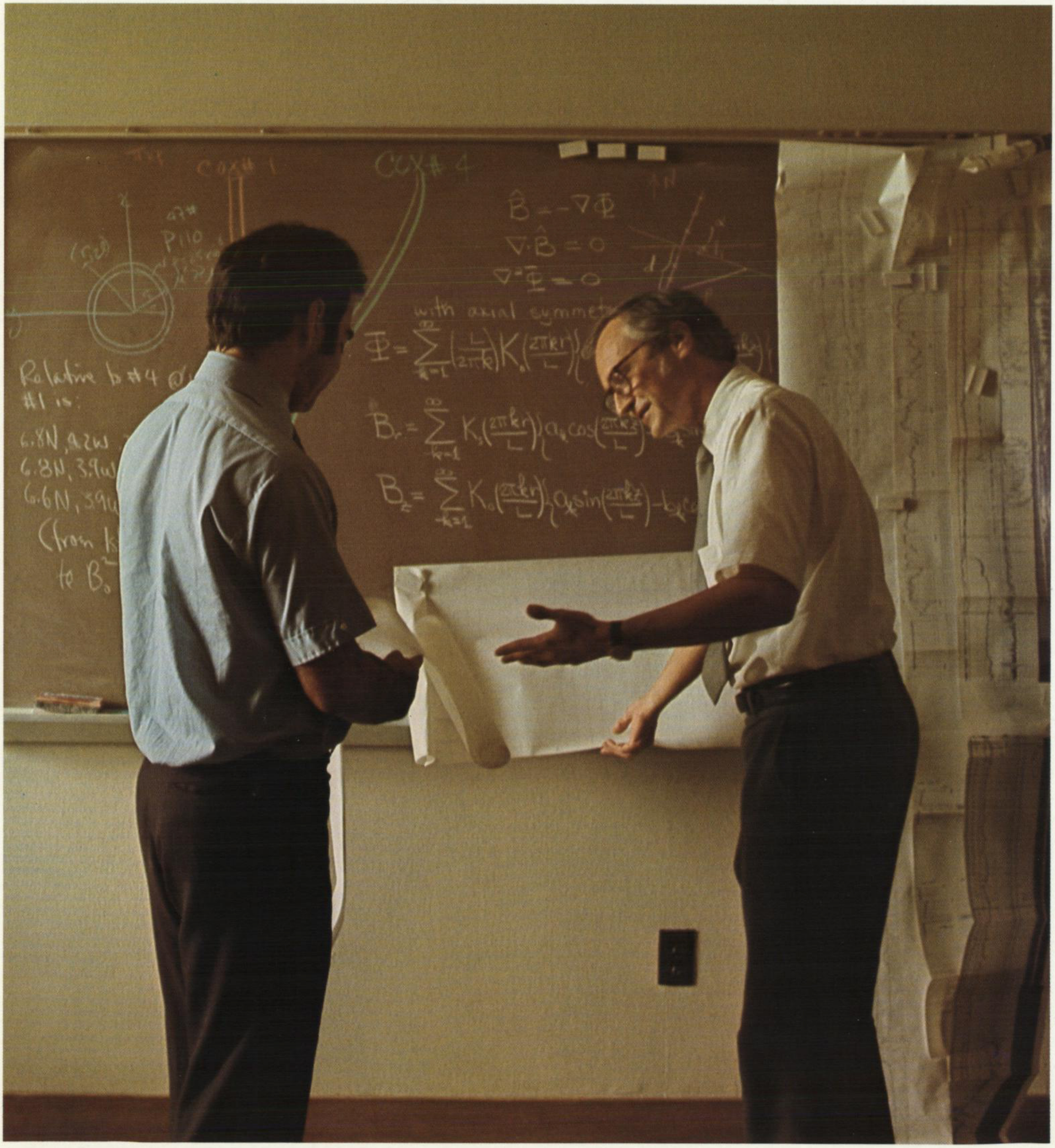
Among research and development programs conducted in 1971, environmental conservation projects continued to have high priority. They ranged from continuing work on prevention and cleanup of oil spills to programs concerned with noise control and the identification and measurement of odors.

One of the more dramatic applications of the work of our research people to the solution of practical problems took place in connection with the difficult struggle to

Scale models such as this one being constructed at the Exploration and Production Research Center help us learn how to extract more oil by supplementary recovery methods.

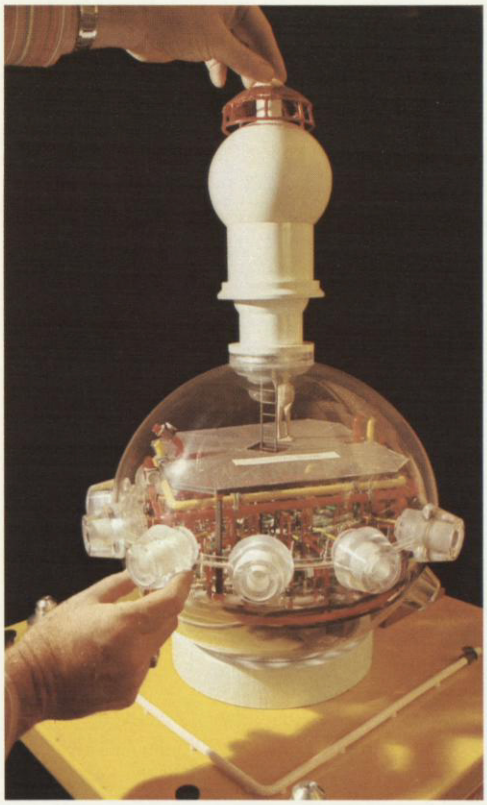
*Shell Trademark

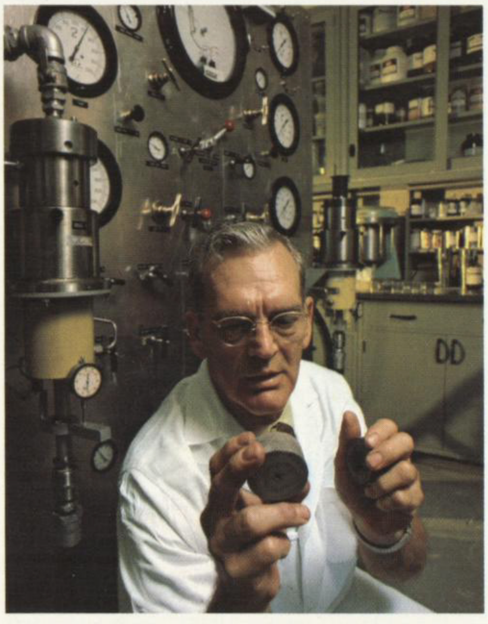
An interpretation technique developed in the laboratory based on theoretical physics and mathematics helped to guide a relief well to a precise point about 12,000 feet underground to intersect and end the blowout of a high-pressure gas well in Mississippi.



Top: We are continually investigating the practicality of new types of equipment which could be situated on the ocean bottom, such as this model of a sub-surface production station, to be used in water depths of 1,000 feet and more.

Below: A technician at the Exploration and Production Research Center uses a test cell to help develop improved drilling muds for use in geologic formations containing strata of unstable shales.





contain the blowout from deep, high-pressure natural gas formations in Mississippi. In this instance a technique developed in the laboratory based on theoretical physics and mathematics was used to guide a relief well to precise intersection with the blowout well at a depth of about 12,000 feet. From that point the blowout was successfully plugged with cement, and put to rest. Some of these same techniques were used to guide relief wells to extinguish burning wells in the Gulf of Mexico.

Shell's new OIL HERDER,* a surface-active chemical agent to aid in containment and cleanup of oil spills, also was utilized in minimizing the effects of the Bay Marchand blowout. A relatively small amount of the chemical applied on the periphery of a spill not only contains the oil slick but leads it to contract upon itself, thereby facilitating removal. During the year OIL HERDER received a formal Environmental Protection Agency classification as a specialized surface collecting agent.

Other R & D projects in the same category involved the development and installation of a biotreater for effluent control at a refinery, programs to reduce the amount of oil in effluents, projects to evaluate barge and tanker overfill alarm equipment and studies involving changes in the composition of gasoline to meet new ecological requirements.

Shell's position as a leader in offshore technology is due in large measure to the Company's innovative work in this field. Today, as the need to drill in ever deeper waters becomes apparent, new aspects of this technology must be explored. Shell researchers are currently seeking to determine the point in deepwater drilling at which fixed, bottom-supported platforms will no longer be practical, and what form drilling and producing operations should then take. Allied to this project is continued research on underwater completions.

Research results are contributing directly to the effectiveness of exploration. Techniques developed for computer processing and analysis of geophysical data have contributed to our success in offshore Louisiana and to the discovery of additional reserves in Michigan. We are using such analyses, together with geologic interpretation, to determine locations having the most favorable conditions for the accumulation of hydrocarbons.

Other exploration and production research projects involve studies on supplementary recovery, including so-called tertiary methods. Achievements have been made in elaborating mechanisms applicable to miscible, chemical and thermal (steam) floods. The use of scaled physical models and mathematical reservoir simulation techniques have complemented each other in determining practical application of these methods.

During the past year there was a continuing shift from process-oriented research to research dealing more specifically with products and environmental factors. Major emphasis in both process and product research is now placed on gasoline quality changes designed to meet the demands of new vehicles with emission control devices. Product research is focused on defining the probable requirements of the new cars. This information will be used to chart necessary changes in fuels and areas where competitive advantages may be developed. Process research is oriented toward maximizing the use of existing octane generating facilities. It also seeks ways to minimize the cost of new facilities needed to meet the increasing demand for high-octane gasoline components which results from projected governmental restrictions on tetraethyl lead usage.

At year end, approximately 2,000 men and women were engaged in Shell research and development. Expenses in this sector in 1971 amounted to about $52 million, approximately 2 percent of sales of oil products and chemicals.

Shell and a subsidiary of Shell Petroleum N.V. have continued an arrangement whereby each will perform for, and exchange with each other, research activities related to petroleum technology, chemicals and other fields.

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*Shell Trademark

Personnel of the Land Investments Department look over a model of the master plan for Plaza del Oro, a 540-acre commercial and residential project on the south side of Houston, Texas, being developed by a Shell subsidiary.

Real Estate Projects

Our relatively small program of investment in undeveloped land continued to move ahead last year. Shell's development work covers the creation of a master plan for a tract and such physical improvements as sewers, streets, water lines and landscaping of public areas. The land is offered for sale to qualified developers for construction of offices, hotels, apartments and other commercial buildings.

The largest project under current development is the 540-acre Plaza del Oro tract in Houston, which was launched in mid-1970. Because of limitations of major utilities, only half of the tract was currently available for development. Over two-thirds of this part of the tract had been sold or placed under sales agreement by the end of the year. Substantial progress was also made on the Tiffany Centro project, which is adjacent to the new Kansas City International Airport. It was begun in December, 1970, and last year developers announced two major hotels and other buildings, construction of which was to start in mid-1972.

Environmental Concern

Programs and procedures designed to be responsive to the nation's growing concern for environmental problems are characteristic of all Shell operations: Exploration, Production, Manufacturing, Marketing, Transportation, Chemical and, of course, Research and Development. The formation in 1971 of two special groups is indicative of the continuing emphasis we place on these problems.

In the Public Affairs Organization an Occupational Safety and Health Department was formed to provide coordination and technical assistance and policy guidance on matters involving occupational medicine, industrial hygiene and safety. This group works closely with previously existing groups in the operating arms of the Company which are directly concerned with these subjects.

In addition, in the Production Organization a new Safety and Environmental Affairs Group was assigned specific staff responsibilities for operational safety and environmental affairs affecting all aspects of drilling, producing and gas-processing operations.

Shell And The Individual

We have increased our effort, through a number of special studies and projects, to utilize our work force more effectively at all levels. Ways are being found to translate current theory on the management of human resources into practice. Broadly, the objective is to improve employee effectiveness by creating the conditions whereby our people receive enhanced job satisfaction and are encouraged to give the best of themselves.

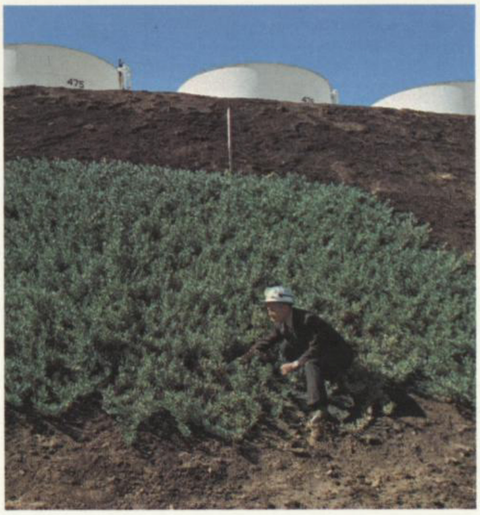
The number of employees has decreased appreciably in recent years, primarily as a result of functional consolidation, structural reorganizations, and relocation of operating and corporate headquarters to Houston. In some cases, it has been necessary to reduce personnel beyond that occurring through normal attrition. The objective has been to reach a level for each organizational unit that optimizes the prospects for continued viability and growth. Special retirement and severance programs, which we believe to be fair and equitable, have been made available to those whose employment was terminated either by their own choice or because of the new staffing requirements.

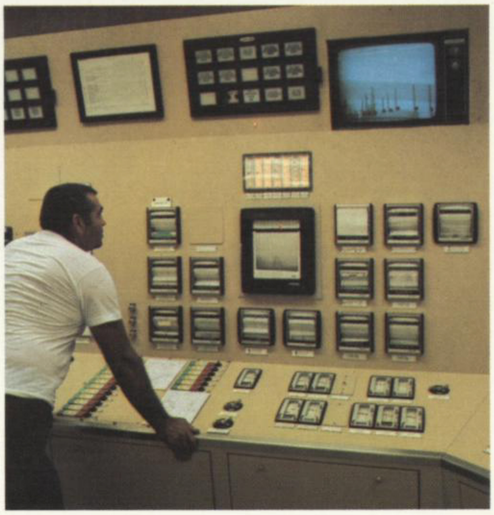
The pressures to build a sound foundation for continued growth have not diverted the Company from its declared policy of providing increased job opportunities for members of minority groups and women. Our ultimate objective is to achieve a work force within Shell that is representative of the nationwide work force. This is difficult to accomplish when personnel are being reduced and where an adequate supply of job required skills is not available. Nevertheless, the percentage of minority personnel in Shell has increased every year since 1964. It is worth noting that more than 20 percent of those hired in Houston in connection with the moves from New York were from minority groups. Our equal opportunity objective includes programs to enhance the upward mobility of all employees. In addition, the Company is involved in other activities in employment, education and business. One of the more successful of these provides for recruiting and training of members of minority groups to become service station operators. This field offers unique opportunities for blacks and others to become economically independent.

Top: As part of our efforts to enhance the appearance of refinery tank farms we are conducting a program of cultivating types of ground cover which will survive in the soil of the dikes around the tanks.

Bottom left: A maintenance worker plants a type of ice plant on the side of a dike at the Martinez Refinery.

Bottom right: An operator at an instrument control panel in the Wood River Refinery monitors a television screen to ensure that the emissions from the furnace stacks are within accepted standards.





The Shell retirement program includes the Shell Pension Plan and the Shell Provident Fund. During 1971 the Pension Trust paid $27 million to pensioners. At year end there were 10,665 retirees.

The Provident Fund provides savings, consisting of employee contributions which are matched dollar for dollar by the Company, and earnings on these amounts. The 746 employees retiring in

Our internal education and training programs for employees, exemplified by this session at a Shell refinery, are designed to improve job satisfaction and performance, increase individual responsibility, and enhance opportunities for advancement and self-fulfillment.

1971 received from this Fund $31 million and 99,603 shares of Shell Oil Company stock purchased through the Shell Stock Fund of the Provident Fund.

The program adopted in 1970 of supplementary payments to pensioners who retired prior to 1969 was continued for an additional year. It is a recognition of the erosion in buying power of retirement income. The program will be subject to review each year in view of circumstances then existing.

Executive Changes

D. B. Kemball-Cook resigned his positions as President and Chief Executive Officer, Chairman of the Executive Committee and a Director as of June 30, 1971, and retired after 39 years' distinguished service.

Mr. Kemball-Cook began his Shell career as an attendant at a Manchester, N.H., service station and worked later as a roustabout and roughneck on Shell drilling rigs in west Texas and Louisiana. After assignments of increasing responsibility in the Exploration and Production Organization and with other Royal Dutch/Shell Group companies in Venezuela and New York, he was elected Executive Vice President and a Director of Shell Oil Company in 1958. He became a member of the Executive Committee in 1961. He was elected Executive Vice President and Chief Operating Officer in 1968, and President and Chief Executive Officer in January, 1970. Your Directors wish to express their appreciation of his dedicated leadership and many valuable contributions to the Company.

Harry Bridges was elected President and Chief Executive Officer, and Chairman of the Executive Committee, succeeding Mr. Kemball-Cook. Since joining a Royal Dutch/Shell Group company in 1937, Mr. Bridges has had broad experience in many countries of the world, chiefly in exploration and production. He was President of Shell Canada Limited from 1968 until September, 1970, when he was elected a Director and Executive Vice President and Chief Operating Officer of Shell Oil Company.

G. A. Wagner, President of the Royal Dutch Petroleum Company, was elected a Director of Shell Oil Company, replacing L. E. J. Brouwer, who resigned at the end of June.

J. F. Redmond was elected a Director and Executive Vice President in charge of Exploration and Production, filling the positions which had been vacant since the resignation of E. G. Christianson in 1970. Mr. Redmond was Manager, Head Office Exploration and Production Economics, in 1960 when he accepted an assignment with Shell Canada Limited, of which he was Executive Vice President and a Director before returning to Shell Oil.

To indicate his role as a member of the General Executive Office, J. B. St. Clair, President of Shell Chemical Company, was elected also an Executive Vice President of Shell Oil Company.

K. Doig was elected Vice President in charge of Planning and Economics, a new position established to help provide the proper degree of planning and coordination among Shell's several businesses. He was formerly General Manager Supplies.

P. F. Deisler, Jr., Vice President, MTM, accepted an assignment as Director, Supply and Manufacturing, Compania Shell de Venezuela.

H. E. Walker, Vice President in charge of the Head Office MTM Advisory Group, was appointed Vice President Public Affairs. He succeeded C. A. Foster, Jr., who retired after 42 years of service.

W. J. Bittles, Jr., General Manager, Retail Marketing, was elected Vice President in charge of the Central Marketing Region, succeeding E. F. Loveland, who was appointed Vice President in charge of Marketing Economics and Distribution.

C. L. Raymond, Vice President, Shell Chemical Company, retired after a Shell career of 34 years.

Accounting Policies

This summary of the major accounting policies of Shell Oil Company and its consolidated subsidiaries (hereinafter referred to as "Shell") is presented to assist the reader in evaluating Shell's financial statements and other data contained in this report. Except for the change noted below under Principles of Consolidation, Shell has consistently followed these policies for all periods covered in this annual report and originally reported net income has not been revised or restated.

Principles of Consolidation

The financial statements include the accounts of Shell Oil Company (hereinafter called "Company") and all of its wholly owned subsidiaries. All companies acquired have consistently been accounted for as purchases; goodwill, if any, is amortized over a period of benefit which has not exceeded ten years.

The only subsidiary of Shell not wholly owned is Butte Pipe Line Company (51% owned), and the investment therein is and has consistently been carried at equity in the underlying net assets. Prior to 1971, investments in less than majority owned companies were carried at cost, with dividends recorded in income as received, and that practice has continued to date with respect to companies in which Shell has a voting stock interest of less than 20%. Beginning with 1971, investments in less than majority owned companies in which Shell has a voting stock interest of 20% or more have been carried at equity in underlying net assets, in accordance with Accounting Principles Board Opinion No. 18. This change has had no material effect on net income or on the amount at which investments are carried.

Short Term Securities

Short term securities are carried at cost which approximates market. Interest is accrued monthly and reflected in dividends, interest and other income.

Inventories

Inventories of oils and chemicals are carried at the lower of market or of the average cost resulting from charging to costs the highest of inventory carrying value, current cost of production or purchases. Materials and supplies inventories are carried at average cost or less.

Leasehold Costs

Direct cost of acquiring undeveloped acreage, generally called lease bonus, is capitalized. Amortization from date of acquisition is based upon experience of the Company in order to fully amortize over the holding period those leases that may be unproductive. The cost of leases which become productive is transferred to a producing property account.

Exploratory Costs

Exploratory expenses, including geological and geophysical expenses, annual delay rentals on oil and gas leases and all exploratory and development dry hole costs are charged to income as incurred.

Research

Expenditures for research, except for land, buildings and standard items of equipment which extend beyond the immediate life of a project, are expensed when incurred.

Depreciation, Depletion and Amortization

Depreciation, depletion and amortization of the capital cost of producing properties, both tangible and intangible, are provided for on a unit of production basis. Developed reserves are used in computing unit rates for tangible and intangible development costs and proved reserves for depletion of leasehold costs. In all cases the unit determination is by field. Other plant and equipment are depreciated on a straight line basis over their estimated useful lives. Differing rates or deductions are used for tax purposes.

Maintenance, Repairs and Retirement of Properties

Major renewals and betterments are charged to the property accounts while minor replacements, maintenance and repairs which do not improve or extend life are expensed currently. At the time properties are retired or otherwise disposed of in the normal course of business, the cost is charged against the accumulated provision; however, if the retirement relates to a casualty, the loss or gain is reflected in current income.

Office Relocation, Employee Relocation and Severance Costs

The cost directly related to relocating the operating and executive offices from New York is being amortized over a four year period commencing October 1, 1969. All other office relocation, employee relocation or severance costs have been charged to expense when incurred.

Leases

Obligations under noncancellable leases and other contractual commitments are reflected in Note 9 to the Financial Statements.

Income Taxes

Items of income or income deductions are often recognized for payment of income taxes and for book purposes in different time periods, and tax allocation accounting as prescribed by Accounting Principles Board Opinion No. 11 is practiced for all material book/tax timing differences. For those differences pertaining to capital extinguishments, including intangible development expenditures deducted currently for tax purposes, tax deferment is computed by applying the current tax rates to the current difference in deduction. The net cumulative effect is reflected in the Statement of Financial Condition under Deferred Credits—Federal Income Taxes. For other timing differences tax deferment is computed by setting up initial differences at current tax rates and reversing these amounts in the appropriate subsequent period. The net cumulative effect of the latter is reflected in Prepayments in the Statement of Financial Condition. Investment tax credits currently realized are applied to reduce the current provision for federal income taxes.

Statement Of Income And Retained Earnings

Revenues	**YEAR 1971**	**YEAR 1970**
Sales and other operating revenue (including consumer excise and sales taxes)	$4,591,238,000	$4,299,413,000
Dividends, interest and other income	32,537,000	31,334,000
	4,623,775,000	4,330,747,000
Costs and Expenses		
Purchased raw materials and manufactured products	1,642,414,000	1,482,858,000
Costs and operating expenses	929,378,000	862,751,000
Selling, general and administrative expenses	460,392,000	426,669,000
Income, operating and consumer taxes:		
Consumer excise and sales taxes	698,865,000	709,867,000
Operating taxes	128,097,000	130,615,000
Federal and other income taxes	61,604,000	71,284,000
Depreciation, depletion, amortization and retirements, including dry holes	410,535,000	369,408,000
Interest and discount amortization on indebtedness	47,986,000	40,090,000
	4,379,271,000	4,093,542,000
Net Income	244,504,000	237,205,000
1971—$3.63 and 1970—$3.52 per share based on weighted average shares outstanding of 67,390,954 and 67,387,435 respectively.		
Retained Earnings at Beginning of Year	1,935,306,000	1,859,820,000
	2,179,810,000	2,097,025,000
Cash dividends paid: $2.40 per share	161,738,000	161,719,000
Retained Earnings at End of Year	$2,018,072,000	$1,935,306,000

The notes on pages 25, 26 and 27 are an integral part of these statements.

Statement Of Financial Condition

ASSETS	**DECEMBER 31, 1971**	**DECEMBER 31, 1970**
Current Assets		
Cash	$ 32,709,000	$ 27,447,000
Short term securities	157,026,000	205,702,000
Receivables and prepayments, less allowance for doubtful accounts of $16,513,000 and $14,726,000 at December 31, 1971 and 1970, respectively	665,784,000	629,994,000
Owing by affiliated companies	3,210,000	8,555,000
Inventories of oils and chemicals	328,669,000	321,924,000
Inventories of materials and supplies	47,016,000	38,997,000
Total Current Assets	1,234,414,000	1,232,619,000
Investments and Long Term Receivables	85,710,000	65,415,000
Properties, Plant and Equipment	3,272,214,000	3,256,695,000
Deferred Charges	53,944,000	54,072,000
	$4,646,282,000	$4,608,801,000

LIABILITIES AND SHAREHOLDERS' INVESTMENT		
Current Liabilities		
Payables and accruals	$ 460,866,000	$ 483,041,000
Income, operating and consumer taxes	193,540,000	205,497,000
Owing to affiliated companies	37,416,000	25,577,000
Long term debt due within one year	10,114,000	41,508,000
Total Current Liabilities	701,936,000	755,623,000
Long Term Debt Less Unamortized Discount of $892,000 and $962,000 at December 31, 1971 and 1970, respectively	836,783,000	835,788,000
Deferred Credits—Federal Income Taxes	281,560,000	274,415,000
Shareholders' Investment		
Common stock, authorized 80,000,000 shares at $1.00 par value, issued 67,547,618 and 67,539,618 shares at December 31, 1971 and 1970, respectively, at stated value	234,124,000	234,117,000
Amount in excess of common stock stated value	582,881,000	582,626,000
Retained earnings	2,018,072,000	1,935,306,000
	2,835,077,000	2,752,049,000
Less 154,680 shares of common stock held in treasury at December 31, 1971 and 1970, at cost	9,074,000	9,074,000
Total Shareholders' Investment	2,826,003,000	2,742,975,000
	$4,646,282,000	$4,608,801,000

The notes on pages 25, 26 and 27 are an integral part of these statements.

Statement Of Source And Disposition Of Funds

Source of Funds	YEAR 1971	YEAR 1970
Net income	$244,504,000	$237,205,000
Depreciation, depletion, amortization and retirements	355,885,000	310,908,000
Dry hole costs (included in capital expenditures)	54,650,000	58,500,000
Deferred credits—federal income taxes (related to write-offs)	7,145,000	21,912,000
TOTAL FUNDS PROVIDED FROM OPERATIONS	662,184,000	628,525,000
Increase in long term debt	25,970,000	166,750,000
Property sales, salvage, etc. (net)	24,456,000	16,379,000
Issuance or sale of Company shares	262,000	178,000
TOTAL	$712,872,000	$811,832,000

Disposition of Funds		
Capital expenditures including dry hole costs	$450,510,000	$634,825,000
Dividends paid	161,738,000	161,719,000
Decrease in long term debt	24,975,000	41,508,000
Investments, long term receivables and deferred charges	20,167,000	26,972,000
Purchase of Company shares	—	259,000
	657,390,000	865,283,000
Increase (decrease) in working capital:		
Cash and short term securities	(43,414,000)	(55,262,000)
Receivables and prepayments	30,445,000	13,438,000
Inventories	14,764,000	19,354,000
	1,795,000	(22,470,000)
Payables and accruals	10,336,000	37,710,000
Income, operating and consumer tax liabilities	11,957,000	(32,183,000)
Long term debt due within one year	31,394,000	(36,508,000)
	55,482,000	(53,451,000)
TOTAL	$712,872,000	$811,832,000

The notes on pages 25, 26 and 27 are an integral part of these statements.

Opinion Of Independent Accountants

To the Shareholders of Shell Oil Company:

In our opinion, the accompanying statement of financial condition and the related statements of income and retained earnings and of source and disposition of funds present fairly the financial position of Shell Oil Company and consolidated subsidiary companies at December 31, 1971 and 1970 and the results of their operations and the source and disposition of funds for the years then ended, in conformity with generally accepted accounting principles consistently applied. Our examinations of these statements were made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

Price Waterhouse & Co.
1200 Milam Street
Houston, Texas 77002
February 3, 1972

Notes To Financial Statements

1. Accounting Policies

Certain information relative to accounting policies is presented on page 21 of this report.

2. General

Shell continued in 1971 to have transactions, including the purchase, sale, and transportation of crude oil, petroleum and chemical products in the ordinary course of business, with subsidiaries of Royal Dutch Petroleum Company and The "Shell" Transport and Trading Company, Limited, parent companies of Shell Oil Company.

3. Operating and Income Taxes

	1971	1970
Operating Taxes		
Real and personal property	$ 53,308,000	$ 56,955,000
Oil and gas production	33,506,000	34,080,000
Social Security	15,134,000	15,738,000
Other	26,149,000	23,842,000
	$128,097,000	$130,615,000
Federal And Other Income Taxes		
Current*	$ 47,571,000	$ 37,476,000
Deferred	14,033,000	33,808,000
	$ 61,604,000	$ 71,284,000

*After deducting investment tax credits of $18,736,000 in 1971 and $17,078,000 in 1970.

4. Shell Pension Plan and Shell Provident Fund

The Shell Pension Plan covers the regular full-time employees of the Company and its principal subsidiary, Shell Pipe Line Corporation. The pension expense under this plan was $24,387,000 for 1971 and $25,003,000 for 1970 which includes an annual provision to fully amortize unfunded prior service cost of $55,700,000 by the end of 1995. The Company's policy is to fund pension cost charged against income.

The Shell Provident Fund is a plan whereby every regular employee of the Company and its principal subsidiary after stated periods of service may systematically save a permissible percentage of his salary or wages with a like contribution by the employing company for investment by the Fund. Eligible participants can direct that all or part of their employing company's current contributions be invested in the common stock of Shell Oil Company (the Shell Stock Fund). During 1971, such common stock investments, amounting to $25,289,000, represented 534,562 shares of which 522,000 shares were purchased on the New York Stock Exchange, 5,000 shares were purchased in the Over-the-Counter Market, and 7,562 were shares transferred among individual accounts within the Shell Stock Fund. At the end of 1971, the Shell Stock Fund held 2,740,792 shares of Shell Oil Company's common stock. Company contributions to the Shell Provident Fund totaled $30,095,000 for 1971 and $28,402,000 for 1970 which were charged against income.

5. Receivables and Prepayments

The receivables amounted to $598,494,000 at December 31, 1971 and $567,340,000 at December 31, 1970, after deducting allowance for doubtful accounts.

Prepayments included federal income taxes of $3,363,000 and $6,707,000 at December 31, 1971 and 1970, respectively.

6. Properties, Plant and Equipment

	Cost	Accumulated Depreciation, Etc.	Net
	(Thousands of Dollars)		
Production properties	$2,977,063	$1,625,512	$1,351,551
Oil refineries	1,188,391	562,764	625,627
Chemical plants	740,688	338,412	402,276
Marketing facilities	879,554	240,112	639,442
Pipelines and other transportation facilities	373,257	191,308	181,949
Miscellaneous facilities	116,291	44,922	71,369
Dec. 31, 1971	$6,275,244	$3,003,030	$3,272,214
Dec. 31, 1970	$6,076,388	$2,819,693	$3,256,695

7. Long Term Debt

Long term debt due after one year consisted of the following:

	December 31	
	1971	1970
Shell Oil Company:		
Non-interest bearing advances due 1973 through 1977	$ 25,970,000	$ —
5% Notes Due 1980 (secured by purchase money mortgage)	16,750,000	16,750,000
4⅝ % Sinking Fund Debentures Due 1986, after deducting $9,916,000 and $4,996,000 principal amounts of debentures held in treasury at December 31, 1971 and 1970	165,000,000	175,000,000
4½ % Notes Due 1990	135,000,000	140,000,000
5% Debentures Due 1991	140,000,000	145,000,000
5.30% Debentures Due 1992, after deducting $5,045,000 principal amount of debentures held in treasury at December 31, 1971	144,955,000	150,000,000
8½ % Debentures Due 2000	150,000,000	150,000,000
Shell Pipe Line Corporation:		
7½ % Guaranteed Sinking Fund Debentures Due 1999	60,000,000	60,000,000
	837,675,000	836,750,000
Less unamortized discount	892,000	962,000*
Long term debt less unamortized discount	$836,783,000	$835,788,000

*Reclassified from Deferred Charges in accordance with Accounting Principles Board Opinion No. 21.

Of the foregoing long term debt due after one year from December 31, 1971, $25,579,000 principal amount will be due in 1973, $26,929,000 in 1974, $28,185,000 in 1975 and $33,076,000 in 1976.

On January 31, 1972 the Company filed a registration statement with the Securities and Exchange Commission covering a proposed issue of $200,000,000 thirty-year debentures.

8. Incentive Stock Option Plans

At December 31, 1971, 329,000 shares of the Company's authorized but unissued common stock were reserved under the Plans, adopted in 1956, in 1965 and in 1971, for sale to key employees, including executives.

Prior to August 22, 1963, options were granted for terms not exceeding ten years at not less than 95% of the fair market value at the date of grant. Commencing August 22, 1963, options under the 1956 or 1965 Plans were granted for terms not exceeding five years at not less than 100% of the fair market value at the date of grant. Generally, options under such Plans may not be exercised within eighteen months of the date of grant.

On April 22, 1971 the Shareholders of the Company approved the adoption by the Board of Directors of the 1971 Incentive Stock Option Plan. Under this Plan the Board may grant qualified or non-qualified options, or combinations thereof, to key employees (including officers or directors who are key employees) of the Company or any of its wholly owned subsidiaries to purchase an aggregate of 200,000 shares of the Company's common stock at not less than the fair market value of the stock at the date the option is granted. Such shares may be either authorized but unissued shares or treasury shares. Generally, options may not be exercised within eighteen months of issuance and expire not later than five years from the date of grant for qualified options and ten years for non-qualified options. Non-qualified options issued under the Plan will not afford to optionees the special income tax advantages provided under the Internal Revenue Code of 1954 in the case of qualified options.

Qualified options granted under any of the Plans after August 21, 1963, are by their terms not exercisable until after certain earlier options have been exercised or the time for their exercise has expired, as provided in the Internal Revenue Code of 1954 with respect to qualified stock options.

Changes during 1971 in options outstanding were as follows:

	Shares Under Option		
	1956 Plan	1965 Plan	1971 Plan
Outstanding Jan. 1, 1971 (of which 120,600 were exercisable)	10,000	178,600	—
Granted at average price of $45.13 per share	—	6,000	38,000
Expired	—	(57,600)	—
Exercised at average price of $32.86 per share	(8,000)	—	—
Outstanding Dec. 31, 1971 (of which 107,000 were exercisable)	2,000	127,000	38,000

The 1956 Plan was terminated in 1965 and the 1965 Plan in 1971 without affecting outstanding options. At January 1, 1971, 104,200 shares were available for future options under the 1965 Plan before termination. At December 31, 1971, 162,000 shares were available for future options under the 1971 Plan.

9. Commitments and Contingent Liabilities

Shell has noncancellable leases and other contractual commitments covering service stations, office space, tankers and other facilities. At December 31, 1971, the annual amounts equivalent to principal, interest, taxes, insurance and maintenance payable under such commitments averaged as follows: $69,400,000 for 1972-1976, $39,000,000 for 1977-1981, $25,000,000 for 1982-1986, $12,000,000 for 1987-1991, and $2,300,000 for 1992-1996. Most of the above service stations are subleased to others and the foregoing amounts are before deduction of rental income.

Subject to the terms of agreements with Shell Canada Limited dated June 17, 1970, Shell committed itself to expend $225,000,000 Canadian, primarily over a term of 6½ years, for exploratory work on non-producing oil and gas interests in Canada and $25,000,000 Canadian, over a primary term of 10½ years, for research on methods of producing synthetic crude from non-producing interests in tar sands and heavy oil accumulations in Canada. At December 31, 1971, the commitment remaining under these agreements amounted to $187,196,000 Canadian.

Also, under long term agreements with certain pipe line companies in which stock interests are held, Shell may be required to advance funds against future transportation charges in the event such companies are unable to meet their financial obligations.

Of the many women technicians in Shell is this laboratory assistant helping to develop new products for the improvement of animal health.

Shell has no commitments or contingent liabilities which, in the judgment of the Management, would result in losses which would materially affect its financial position.

10. Incentive Compensation Plan

The Shareholders have approved the 1971 Incentive Compensation Plan under which the Board of Directors may, with respect to each of the five calendar years beginning with 1971, make incentive compensation awards to key employees (including officers and directors who are key employees) of the Company or of any of its wholly owned subsidiaries. These awards, in the aggregate, shall not exceed 2½% of the amount by which the adjusted net income of the Company and consolidated subsidiary companies for the year (as defined in the Plan) shall exceed 6% of the capital employed by the Company and such subsidiary companies during that year (as so defined). Awards are payable in full at the time of the award either in cash, in shares of the Company's common stock, or in combination. A provision for awards is made and charged against income for the current year in anticipation of awards for such year to be made the following year.

Ten Year Review Of Financial Data

(dollars in thousands except per share amounts)

		1971	1970
Revenues	Oil and gas		
	Refined products	$2,199,015	2,079,077
	Crude oil	$ 829,195	730,581
	Natural gas	$ 201,378	172,459
	Other operating revenue	$ 107,065	84,788
	Dividends, interest and other income	$ 27,994	27,557
	TOTAL	$3,364,647	3,094,462
	Chemical		
	Operating revenue	$ 555,720	522,641
	Dividends, interest and other income	$ 4,543	3,777
	TOTAL	$ 560,263	526,418
	Consumer excise and sales taxes	$ 698,865	709,867
	TOTAL REVENUES	$4,623,775	4,330,747
Costs and Expenses	Operating costs and expenses	$3,032,184	2,772,278
	Income, operating and consumer taxes	$ 888,566	911,766
	Depreciation, depletion, amortization and retirements, including dry holes	$ 410,535	369,408
	Interest and discount amortization on indebtedness	$ 47,986	40,090
	TOTAL COSTS AND EXPENSES	$4,379,271	4,093,542
Income and Dividends	Net income	$ 244,504	237,205
	Net income per share*	$ 3.63	3.52
	Cash dividends	$ 161,738	161,719
	Cash dividends per share	$ 2.40	2.40
	Funds provided from operations	$ 662,184	628,525
Financial Condition at Year End	Current assets	$1,234,414	1,232,619
	Current liabilities	$ 701,936	755,623
	WORKING CAPITAL	$ 532,478	476,996
	Properties, plant and equipment	$6,275,244	6,076,388
	Accumulated depreciation, depletion and amortization	$3,003,030	2,819,693
	NET PROPERTIES, PLANT AND EQUIPMENT	$3,272,214	3,256,695
	Total assets	$4,646,282	4,608,801
	Long term debt	$ 836,783	835,788
	Shareholders' investment	$2,826,003	2,742,975
	Shareholders' investment per share	$ 41.93	40.71
Capital Expenditures	Drilling and production (including dry holes)	$ 228,640	289,951
	Oil refineries	$ 38,923	91,265
	Chemical plants	$ 38,616	54,260
	Marketing facilities	$ 99,681	143,296
	Pipelines and other transportation facilities	$ 17,726	24,237
	Miscellaneous facilities	$ 26,924	31,816
	TOTAL	$ 450,510	634,825
Exploration, Production and Research Expenditures	Oil and gas leases	$ 17,765	64,740
	Producing wells and equipment	$ 133,179	149,244
	Natural gas processing plants	$ 23,046	17,467
	Dry holes	$ 54,650	58,500
	Geological, geophysical and land expenses	$ 83,429	72,478
	Lease rentals	$ 9,205	10,141
	TOTAL EXPLORATION AND PRODUCTION	$ 321,274	372,570
	Research expense	$ 51,676	53,765
Shareholders and Employees	Shares outstanding at year end (in thousands)	67,393	67,385
	Number of shareholders at year end	33,238	31,690
	Salaries, wages and employee benefits		
	Salaries and wages	$ 399,619	395,188
	Employee benefits (including vacation, holiday and sick pay)	$ 139,823	135,940
	TOTAL	$ 539,442	531,128
	Number of employees at year end	35,000	36,754

**Per weighted average share outstanding each year.*

***In addition, one Class "A" Common Share of Shell Canada Limited was distributed for each five shares of Common S*

Shell Oil Company and Subsidiary Companies

1969	1968	1967	1966	1965	1964	1963	1962
2,066,973	1,968,520	1,848,429	1,732,104	1,578,006	1,422,978	1,320,023	1,231,890
664,431	617,783	588,393	513,718	497,323	469,468	414,131	367,260
163,141	128,130	135,906	121,250	104,476	95,653	86,392	74,643
98,800	80,447	55,524	41,801	21,490	19,635	12,696	20,714
38,514	33,235	14,764	15,805	12,639	10,786	11,621	8,693
3,031,859	2,828,115	2,643,016	2,424,678	2,213,934	2,018,520	1,844,863	1,703,200
543,757	522,194	443,543	405,766	358,745	320,918	296,824	272,151
7,881	2,231	1,671	543	402	383	322	266
551,638	524,425	445,214	406,309	359,147	321,301	297,146	272,417
692,609	655,190	584,580	559,888	529,668	491,464	434,043	390,438
4,276,106	4,007,730	3,672,810	3,390,875	3,102,749	2,831,285	2,576,052	2,366,055
2,718,999	2,506,254	2,334,392	2,145,622	1,950,787	1,801,494	1,622,214	1,512,743
879,385	837,085	745,515	715,942	672,848	601,323	553,062	492,360
351,831	317,916	277,310	251,011	229,216	219,013	209,356	191,428
34,740	34,384	30,744	23,100	15,867	11,265	11,568	11,849
3,984,955	3,695,639	3,387,961	3,135,675	2,868,718	2,633,095	2,396,200	2,208,380
291,151	312,091	284,849	255,200	234,031	198,190	179,852	157,675
4.32	4.72	4.66	4.19	3.85	3.27	2.97	2.60
161,778	151,376	128,280	115,731	103,194	90,798	78,658	66,636
2.40	2.30	2.10	1.90	1.70	1.50	1.30	1.10**
673,718	639,346	569,835	521,704	487,446	437,508	401,523	359,058
1,255,089	1,403,179	1,061,733	984,364	891,608	785,589	806,371	678,932
724,642	757,044	661,533	609,252	521,146	432,643	370,648	310,852
530,447	646,135	400,200	375,112	370,462	352,946	435,723	368,080
5,675,885	5,272,171	4,880,908	4,485,981	4,092,720	3,704,588	3,403,284	3,261,080
2,643,887	2,494,339	2,324,298	2,237,048	2,136,993	2,044,043	1,948,392	1,838,859
3,031,998	2,777,832	2,556,610	2,248,933	1,955,727	1,660,545	1,454,892	1,422,221
4,356,222	4,229,996	3,660,021	3,273,449	2,885,137	2,486,169	2,300,196	2,139,146
711,508	713,241	718,721	553,107	415,535	267,424	273,219	283,123
2,667,570	2,537,945	2,067,340	1,897,934	1,750,793	1,612,638	1,503,179	1,404,327
39.59	37.66	33.80	31.14	28.82	26.63	24.85	23.19
307,581	281,442	343,637	252,740	253,812	253,401	180,058	214,281
123,315	41,519	61,612	113,551	122,165	78,296	25,596	11,787
63,057	107,338	59,144	75,592	43,518	25,903	8,221	20,671
93,310	76,529	111,315	96,623	81,248	43,605	28,108	27,105
28,202	34,354	35,202	14,824	22,854	21,492	4,680	4,076
13,288	12,890	7,977	10,645	7,064	9,254	5,407	4,834
628,753	554,072	618,887	563,975	530,661	431,951	252,070	282,754
42,673	51,834	117,139	15,418	41,609	41,933	40,970	85,250
181,605	176,358	174,883	172,871	152,262	151,853	96,415	91,492
20,172	8,397	7,379	11,657	11,273	9,093	3,951	3,874
63,131	44,853	44,236	52,794	48,668	50,522	38,722	33,665
81,082	78,419	74,665	65,603	63,856	61,381	59,573	56,201
9,794	9,892	10,022	11,390	10,452	14,385	13,012	12,061
398,457	369,753	428,324	329,733	328,120	329,167	252,643	282,543
57,074	55,690	52,549	50,660	46,531	43,398	30,006	26,777
67,384	67,386	61,169	60,958	60,753	60,561	60,496	60,548
29,070	28,591	25,963	24,566	23,917	23,669	23,070	22,183
377,874	348,749	326,819	296,987	270,659	259,696	245,738	244,200
125,488	115,444	108,008	100,119	91,840	85,350	86,668	82,851
503,362	464,193	434,827	397,106	362,499	345,046	332,406	327,051
38,998	39,080	38,330	37,058	34,548	33,578	32,191	33,908

he Company.

Ten Year Review Of Operating Data

(barrels daily in thousands)

		1971	1970
Marketing	Refined products sold (barrels daily)		
	Gasolines	537	518
	Distillates	311	302
	Residuals	67	92
	All other products	105	93
	TOTAL	1,020	1,005
	Natural gas sold (million cubic feet daily)	2,715	2,738
	Bulk distributing plants (leased and owned)	312	363
	Retail outlets (leased and owned)	9,800	10,500
	Retail outlets (other)	10,600	10,600
Manufacturing	Refinery processing intakes (barrels daily)		
	Anacortes	90	86
	Houston	214	164
	Martinez	84	94
	Norco	208	208
	Odessa/Ciniza	46	44
	Wilmington	87	84
	Wood River	237	232
	TOTAL	966	912
	Manufacturing outturn (barrels daily)		
	Gasolines	497	458
	Distillates	253	246
	Residuals	70	91
	All other products	184	143
	TOTAL	1,004	938
Transportation	Trunk pipeline mileage—crude oil (incl. partially-owned)	7,247	7,226
	Trunk pipeline mileage—products (incl. partially-owned)	10,347	8,732
	Crude oil transported by pipelines (million barrel miles)	128,184	126,029
	Products transported by pipelines (million barrel miles)	46,067	46,001
Production	Crude oil and natural gas liquids produced (barrels daily)		
	Gross	731	688
	Net		
	California	74	77
	Louisiana	350	304
	Mississippi	9	12
	Montana	17	18
	New Mexico	12	13
	Oklahoma	11	11
	Texas	135	139
	Other	21	21
	TOTAL	629	595
	Natural gas liquids produced (incl. in above) (barrels daily)	79	68
	Gross natural gas produced (million cubic feet daily)	3,020	3,027
	Net natural gas produced (million cubic feet daily)	2,542	2,548
	Crude oil purchased (barrels daily)	1,007	936
	Crude oil sold (barrels daily)	646	614
Exploration and Drilling	Net acreage (in thousands)		
	United States		
	Producing	868	857
	Non-producing	14,276	11,512
	TOTAL	15,144	12,369
	Foreign		
	Non-producing	36,513	36,311
	Net wells drilled		
	Exploratory—oil and gas	11	32
	dry holes	63	90
	Development—oil and gas	330	359
	dry holes	45	73
	TOTAL	449	554
	Net oil and gas wells producing or capable of producing	14,227	14,061

Shell Oil Company and Subsidiary Companies

1969	1968	1967	1966	1965	1964	1963	1962
515	491	454	424	394	370	335	314
305	289	285	267	254	227	212	199
93	91	89	83	89	83	80	68
95	95	93	98	93	84	78	70
1,008	966	921	872	830	764	705	651
2,654	2,315	2,122	1,897	1,661	1,565	1,429	1,335
516	591	624	707	703	701	699	737
10,900	11,400	11,600	11,700	11,500	11,300	10,700	10,300
11,100	11,700	12,100	12,300	13,100	13,000	12,800	12,900
89	90	83	79	74	72	55	56
162	157	152	145	144	141	146	120
91	79	71	39	37	41	44	44
201	192	178	156	141	122	118	117
46	42	39	40	37	27	—	—
96	98	95	92	92	91	89	79
216	201	202	202	194	193	193	161
901	859	820	753	719	687	645	577
458	432	402	360	343	326	301	272
243	240	229	222	213	196	193	174
90	87	74	64	70	71	69	61
120	115	119	112	108	104	91	80
911	874	824	758	734	697	654	587
7,130	6,938	6,457	6,432	6,460	6,421	6,128	6,054
8,514	8,453	7,781	7,821	7,361	7,040	6,302	6,145
111,909	108,382	109,951	104,715	100,770	98,837	96,836	83,962
44,465	39,718	39,086	35,239	31,434	26,943	26,033	23,851
626	607	589	543	493	466	452	430
82	80	72	69	65	64	63	65
261	250	240	208	187	170	156	141
12	8	6	6	6	6	7	7
18	20	22	22	21	23	23	21
14	14	14	16	15	13	13	13
12	13	14	15	15	15	15	15
129	123	121	113	101	95	93	88
20	24	25	25	21	21	24	25
548	532	514	474	431	407	394	375
63	58	54	52	47	42	42	38
2,975	2,636	2,453	2,180	1,926	1,821	1,656	1,516
2,490	2,201	2,046	1,834	1,626	1,559	1,413	1,299
952	910	875	797	789	753	677	608
599	577	561	505	493	459	408	363
862	854	855	897	860	844	723	695
14,153	14,182	10,918	9,983	11,405	14,702	15,066	14,619
15,015	15,036	11,773	10,880	12,265	15,546	15,789	15,314
—	—	—	—	—	—	—	—
15	17	27	39	35	52	32	16
226	122	109	122	104	142	108	85
353	569	541	534	413	732	479	505
104	80	54	77	126	83	88	102
698	788	731	772	678	1,009	707	708
14,455	14,421	14,467	14,594	14,670	14,699	14,152	13,549

Directors And Officers

BOARD OF DIRECTORS

SIR DAVID BARRAN
Chairman
A Managing Director, The "Shell"
Transport and Trading Company, Limited

H. BRIDGES*
President and Chief Executive Officer

WILLIAM BLACKIE
Chairman of the Board and
Chief Executive Officer, Caterpillar Tractor Co.

CHARLES de BRETTEVILLE
Chairman of the Board and Chief Executive Officer,
The Bank of California National Association

WILLIAM P. GWINN
Chairman and Chief Executive Officer,
United Aircraft Corporation

R. M. HART*
Executive Vice President

S. M. McASHAN, Jr.
Chairman of the Board, Anderson, Clayton & Co.

HAROLD F. McGUIRE*
Partner, Wickes, Riddell, Bloomer, Jacobi & McGuire

E. CHESTER PEET
Member of the Governing Committee, U.S. Philips Trust

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Executive Vice President

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President, Shell Chemical Company

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Chancellor, Stanford University

G. A. WAGNER
President, Royal Dutch Petroleum Company

*Member of the Executive Committee

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Irving Trust Company, 1 Wall Street, New York, N. Y. 10015
The Bank of California National Association, 400 California Street, San Francisco, Calif. 94120
Continental Illinois National Bank and Trust Company of Chicago, 231 South LaSalle Street, Chicago, Ill. 60690
Montreal Trust Company
15 King St., West, Toronto 105, Ontario, Canada
P. O. Box 1900, Station "B", Montreal 110, Quebec, Canada
466 Howe St., Vancouver, B. C., Canada
Notice of change of shareholder's address should be sent to one of the above transfer agents.

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Crocker-Citizens National Bank, 79 New Montgomery Street, San Francisco, Calif. 94105
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The Royal Trust Company
P. O. Box 7500, Postal Station "A", Toronto 116, Ontario, Canada
630 Dorchester Blvd., West, Montreal, Quebec, Canada
Bentall Centre, 555 Burrard St., Vancouver, B. C., Canada

Office And Plant Directory

Shell Oil Company Head Office, Houston, Texas

OFFICE OR PLANT	LOCATION
EXPLORATION AND PRODUCTION ORGANIZATION	
Southern Region	New Orleans, Louisiana
Coastal Division	New Orleans, Louisiana
Offshore Division	New Orleans, Louisiana
Onshore Division	New Orleans, Louisiana
Western Region	Houston, Texas
Mid-Continent Division	Midland, Texas
Rocky Mountain Division	Denver, Colorado
West Coast Division	Los Angeles, California
M-T-M ORGANIZATION	
Marketing	
Central Marketing Region	Chicago, Illinois
Eastern Marketing Region	Atlanta, Georgia
Western Marketing Region	San Francisco, California
Manufacturing	
Anacortes Refinery	Anacortes, Washington
Ciniza Refinery	Gallup, New Mexico
Houston Refinery	Deer Park, Texas
Martinez Refinery	Martinez, California
Norco Refinery	Norco, Louisiana
Odessa Refinery	Odessa, Texas
Wilmington Refinery	Wilmington, California
Wood River Refinery	Wood River, Illinois
M-T-M Research and Development	
M-T-M Research Laboratory	Houston, Texas
M-T-M Research Laboratory	Wood River, Illinois
Transportation and Supplies	
T & S Operations—East of Rockies	Houston, Texas
T & S Operations—West of Rockies	Los Angeles, California
FINANCIAL ORGANIZATION	
Chicago Data Service Center	Chicago, Illinois
Houston Data Service Center	Houston, Texas
Menlo Park Data Service Center	Menlo Park, California
New Orleans Data Service Center	New Orleans, Louisiana
Credit Card Center	Tulsa, Oklahoma
Technical Computing Center	Houston, Texas

OFFICE OR PLANT	LOCATION
SHELL CHEMICAL COMPANY HEAD OFFICE, Houston, Texas	
Agricultural Division	San Ramon, California
Denver Plant	Denver, Colorado
Mobile Plant	Axis, Alabama
Princeton Plant	Princeton, New Jersey
St. Helens Plant	St. Helens, Oregon
Ventura Plant	Ventura, California
Industrial Chemicals Division	Houston, Texas
Houston Plant	Deer Park, Texas
Norco Plant	Norco, Louisiana
Martinez Plant	Martinez, California
Dominguez Plant	Wilmington, California
Geismar Plant	Geismar, Louisiana
Petrochemicals Division	Houston, Texas
Polymers Division	Houston, Texas
Marietta Plant	Belpre, Ohio
Woodbury Plant	Woodbury, New Jersey
Torrance Plant	Torrance, California
Plastics and Resins Technical Center	Woodbury, New Jersey
Elastomers Technical Center	Torrance, California
SHELL DEVELOPMENT COMPANY HEAD OFFICE, Houston, Texas	
Emeryville Research Center	Emeryville, California
Exploration and Production Research Center	Houston, Texas
Biological Sciences Research Center	Modesto, California
Chemical Research Laboratory	Houston, Texas

Shell Oil Company, One Shell Plaza, Houston, Texas 77002